

# VERMONT PENSION INVESTMENT COMMITTEE

July 17, 2008

## **VPIC Members Present:**

STEPHEN RAUH, CHAIR, VMERS Governor's Delegate, term expiring June 30, 2010  
JEB SPAULDING, VICE-CHAIR, VT State Treasurer  
DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2010  
JAY KAPLAN, VSTRS Representative, term expiring June 30, 2011  
MICHAEL K. SMITH, Governor's Delegate, term expiring June 30, 2012  
WARREN WHITNEY, VSERS Representative, term expiring June 30, 2012

## **VPIC Alternate Members Present:**

VAUGHN ALTEMUS, Alternate Governor's Delegate, term expiring June 30, 2010  
STEVEN JEFFREY, VMERS Alternate, term expiring June 30, 2010  
JOSEPH MACKEY, VSTRS Alternate, term expiring June 30, 2011  
ROBERT HOOPER, VSERS Representative, term expiring June 30, 2012

## **Also attending:**

Donna Holden, Clerk  
David Minot, Director of Finance and Investments  
Kevin Kondry, Erik Knutzen, NEPC  
Jaye Pershing-Johnson, Assistant Attorney General

## **CALL TO ORDER:**

The Chair, Steve Rauh, called the Wednesday, July 17, 2008, meeting to order at 8:07 a.m., which was held in the Village Conference Room, at Green Mountain Inn, 18 Main Street, Stowe, VT

## **ITEM 1:      Portfolio Management Reading Assignment Discussion**

- Investment Philosophy
- Investment Process
- Performance Assessment

The Committee engaged in a broad and in depth discussion regarding these issues. The Committee agreed there needed to be more and better monitoring of managers.

The Committee asked NEPC to prepare a current asset liability study, and asset allocation review.

## **ITEM 2:      Committee Discussion Items**

A. Resume Organizational and Policy Discussion

**The Committee discussed and agreed** that members of the three Boards would continue to receive the quarterly performance reports.

NEPC was asked to update the Section B guidelines to include an expanded definition of the manager's mandate and fees.

B. Meeting Schedule and Manager Reviews

**The Committee discussed and agreed** to keep a two-day quarterly meeting schedule for February, May, August, and November. A single day meeting would be scheduled in early April and late October, which would tie into the actuarial valuation meetings.

**The Committee discussed and agreed** to implement a flexible approach to seeing managers quarterly. NEPC would prepare a due-diligence report on managers including mandate, performance, structure changes, etc. Managers would be given a guideline for reporting and communication at the visit.

NEPC agreed to increase their communication and its frequency with the Committee.

**The Committee discussed and agreed**, that annual agenda items would be reviewed by the Committee, including:

- Asset Allocation
- Liabilities
- NEPC Review
- Investment Guidelines and Appropriateness of Manager Benchmarks

**ITEM 3:**      **Philosophy Regarding Alternative Investments**

**The Committee discussed and agreed**, before they made any movements in that direction they needed a higher comfort level, and much more education regarding the asset class including hedge funds, private equity, and/or other alternatives.

**ITEM 4:**      **Contracting/Hiring Process**

The Committee discussed the complexity of the contracting process. Mr. Minot advised the Committee of a mutually agreed upon process developed between the Treasurer's Office and the AG's Office, which contained 19-20 steps developed to streamline the process.

**The Committee discussed and agreed**, the AG's Office would review all legal documents, prepare memorandums, etc. prior to the VPIC interviewing and selecting managers.

**ITEM 5:**      **Opportunistic Investments**

**The Committee discussed and agreed**, they would discuss at the August meeting whether NEPC should present research and education, and whether to move forward with the potential of investments in the credit markets.

NEPC agreed to provide information regarding their vetting process when a database search is conducted.

**ITEM 6:**      **Travel and Expenses**

**On a motion by Mr. Spaulding seconded by Mr. Kaplan, the Committee voted to charge expenses for travel to and from VPIC meetings, and VPIC approved educational opportunities to the host Board of the member, with the exception of any Gubernatorial appointee not affiliated with a Board to be charged on a pro-rated basis based on assets. Motion passed 5-1, Mr. Whitney voted no.**

**On a motion by Mr. Spaulding seconded by Mr. Whitney, the Committee unanimously voted to charge the costs of VPIC approved staff education/training or other travel on a pro-rated basis, based on assets.**

**ITEM 7: Investment Policies and Guidelines**

**The Committee discussed and agreed,** NEPC would provide samples of other guidelines, and the Committee would conduct a comprehensive review of the Guidelines at the August meeting.

**ITEM 8: ETI Managers**

Mr. Spaulding reviewed the ETI policy and RFP process. He said the current RFP was the second release since adoption of the policy. He explained the in the first year the Investment/Search Committee reviewed responses, and made recommendations; however, during this year's RFP process the VPIC structure changed.

**Mr. Spaulding made a motion seconded by Mr. Smith, to move forward with distribution of the stage II portion of the ETI RFP to the Vermont Community Loan Fund, VHFA, and Community Capital Management, as recommended, with the final information brought to the VPIC.**

**Mr. Kaplan made a motion seconded by Mr. Smith to eliminate Community Capital Management from the original motion.**

Mr. Spaulding confirmed a Vermont investment by the manager would be 100% in Vermont.

**Without objection by the Committee, Mr. Kaplan withdrew his motion.**

**The original motion passed, 5-1, Mr. Kaplan voted no.**

**ITEM 9: Any Member New or Other Business to come before the Committee**

None

**Adjournment**

**On a motion by Mr. Johannesen seconded by Mr. Smith, the Committee unanimously voted to adjourn at 2:45 p.m.**

Respectfully submitted,

Donna Holden, Clerk